

GREENVILLE HOUSING COMMISSION
GREENVILLE, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-----------------------------------|--|--------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Greenville Housing Commission | County Montcalm |
| Fiscal Year End June 30, 2007 | Opinion Date February 10, 2008 | Date Audit Report Submitted to State March 24, 2008 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

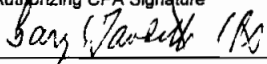
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|-------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input checked="" type="checkbox"/> | Report on Compliance and Internal Controls | |
| Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC | | Telephone Number (231) 946-8930 | |
| Street Address 731 S. Garfield Avenue | | City Traverse City | State MI |
| | | Zip 49686 | |
| Authorizing CPA Signature  | | Printed Name Barry E. Gaudette, CPA | License Number 11050 |

GREENVILLE HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Greenville Housing Commission
Greenville, Michigan

I have audited the accompanying financial statements of the business-type activities of Greenville Housing Commission, Michigan, a component unit of the City of Greenville, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Greenville Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Greenville Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated February 10, 2008, on my consideration of Greenville Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Greenville Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Greenville Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sam E. Tardiff, CPA, PC

February 10, 2008

**Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)**

As management of the Greenville Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Greenville Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Greenville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$2,419,528. The net assets increased by \$96,966, an increase of 4.17% over the prior year.

Revenues and contributions for the Commission were \$1,352,585 for the fiscal year ended June 30, 2007. This was an increase of \$135,455 or 11.1% over the prior year.

Expenses for the Commission were \$1,274,638 for the fiscal year ended June 30, 2007. This was a decrease of \$74,041 or 5.5% from the prior year.

HUD operating grants were \$876,926 for the fiscal year ended June 30, 2007. This was an increase of \$43,938 or 5.3% over the prior year. Capital contributions were \$116,848 for the fiscal year ended June 30, 2007. This was an increase of \$111,440 or 2,061% over the prior year.

Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting

Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Greenville Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Section 8 New Construction Program: Under this program, the Housing Commission, since April 21, 1978, operates a New Construction Section 8 Program of 61 units of subsidized housing in the City of Greenville.

Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,419,528 at the close of the fiscal year ended June 30, 2007 an increase from \$2,322,562 in 2006. The increase in net assets of \$96,966 was due to the change in net assets for the fiscal year of \$77,947 and a prior period adjustment of \$19,019.

The unrestricted net assets were \$712,424 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS
June 30,

| | <u>2007</u> | <u>2006</u> | <u>Dollar</u> <u>Change</u> | <u>Per Cent</u> <u>Change</u> |
|----------------------------|--------------------|--------------------|--------------------------------|----------------------------------|
| Current and other assets | \$ 818,960 | \$ 688,889 | \$ 130,071 | 18.88% |
| Capital assets | <u>2,192,103</u> | <u>2,333,147</u> | <u>(141,044)</u> | (6.05)% |
| Total Assets | <u>3,011,063</u> | <u>3,022,036</u> | <u>(10,973)</u> | (0.36)% |
| Current liabilities | 243,142 | 209,160 | 33,982 | 16.25% |
| Noncurrent liabilities | <u>348,393</u> | <u>490,314</u> | <u>(141,921)</u> | (28.94)% |
| Total Liabilities | <u>591,535</u> | <u>699,474</u> | <u>(107,939)</u> | (15.43)% |
| Net Assets: | | | | |
| Invested in capital assets | 1,707,104 | 1,718,147 | (11,043) | (0.64)% |
| Unrestricted | <u>712,424</u> | <u>604,415</u> | <u>108,009</u> | 17.87% |
| Total Net Assets | <u>\$2,419,528</u> | <u>\$2,322,562</u> | <u>\$ 96,966</u> | 4.17% |

The current assets increase of \$130,071 was due in large part, to the Housing Choice Voucher grant being \$183,862 more than the Housing Assistance Payments to landlords during the fiscal year ending March 31, 2007. Also, the Housing Choice Voucher operating expenses were \$21,853 more than the prior fiscal year, thus reducing the amount of current assets. Finally, the current liabilities were reduced by \$33,982, thus reducing current asset by that amount.

**Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FINANCIAL ANALYSIS (CONTINUED)

Current liabilities increased by \$33,982, in large part, due to the Housing Commission not paying the prior years PILOT, which amounted to \$20,045 and the current portion of long-term debt is now \$10,000 more than the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
June 30,**

As can be seen in the following table total revenues and contributions increased by \$135,455, in large part, due to an increase in the capital fund grant of \$111,440, and HUD operating grants increasing by \$43,938 over the prior fiscal year. During the prior fiscal the capital fund grant received was only \$5,408, because of not spending money on capital projects. This fiscal year \$116,848 was spent of the capital fund grant. Tenant rents decreased by \$21,869, mainly because of tenant incomes decreasing. Interest income increased by \$8,687, mainly due to the interest rates being higher this fiscal year and total cash increasing by \$144,716 over the prior year.

| | <u>2007</u> | <u>2006</u> | <u>Dollar</u> <u>Change</u> | <u>Per</u> <u>Cent</u> <u>Change</u> |
|--|------------------|------------------|--------------------------------|--|
| Revenues and contributions | | | | |
| Operating, nonoperating, capital contributions: | | | | |
| Tenant Revenue | \$ 328,473 | \$ 350,342 | \$ (21,869) | (6.2)% |
| Nondwelling rent | <u>1,472</u> | <u>4,983</u> | <u>(3,511)</u> | <u>(70.5)%</u> |
| Total PHA generated Revenue | 329,945 | 355,325 | (25,380) | (7.4)% |
| HUD operating grants | 876,926 | 832,988 | 43,938 | 5.3% |
| Capital contributions | 116,848 | 5,408 | 111,440 | 2,061% |
| Other income | 14,808 | 18,038 | (3,230) | (17.9)% |
| Interest income | <u>14,058</u> | <u>5,371</u> | <u>8,687</u> | <u>161.7%</u> |
| Total Revenues and Contributions | <u>1,352,585</u> | <u>1,217,130</u> | <u>135,455</u> | <u>11.1%</u> |

**Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FINANCIAL ANALYSIS (CONTINUED)

| | <u>2007</u> | <u>2006</u> | <u>Dollar</u> <u>Change</u> | <u>Per</u> <u>Cent</u> <u>Change</u> |
|-----------------------------|--------------------|--------------------|--------------------------------|--|
| Expenses | | | | |
| Personal services | 295,502 | 274,155 | 21,347 | 7.8% |
| Utilities | 120,298 | 128,164 | (7,866) | (6.1)% |
| Operations and maintenance | 116,474 | 115,528 | 946 | .8% |
| Insurance | 58,187 | 33,115 | 25,072 | 75.7% |
| Payments in lieu of taxes | 20,045 | 23,351 | (3,306) | (14.2)% |
| Other supplies and expenses | 70,046 | 68,356 | 1,690 | 2.5% |
| Interest expense | 47,394 | 54,200 | (6,806) | (12.6)% |
| Housing Assistance Payments | 284,409 | 392,932 | (108,523) | (27.6)% |
| Depreciation | <u>262,283</u> | <u>258,878</u> | <u>3,405</u> | <u>1.3%</u> |
| Total Expenses | <u>1,274,638</u> | <u>1,348,679</u> | <u>(74,041)</u> | <u>(5.5)%</u> |
| Change in net assets | 77,947 | (131,549) | 209,496 | |
| Prior period adjustments | 19,019 | 62,708 | (43,689) | |
| Beginning net assets | <u>2,322,562</u> | <u>2,391,403</u> | <u>(68,841)</u> | |
| Ending net assets | <u>\$2,419,528</u> | <u>\$2,322,562</u> | <u>\$ 96,966</u> | |

Revenues:

Greenville Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended June 30, 2007 for Public Housing, capital contributions, Housing Choice Vouchers, and New Construction Section 8 increased from fiscal year ending June 30, 2006 to June 30, 2007 by \$155,378. For fiscal year ending June 30, 2007, revenue generated by the Commission accounted for \$340,069 (or 27% of total revenue), while HUD contributions accounted for \$993,774 (or 73% of total revenue).

Expenses:

Total Expenses for the fiscal ending June 30, 2006 were \$1,348,679 while for the fiscal year ending June 30, 2007 they were \$1,274,638. This represents an 5.5% decrease in our operating costs. The expenses were decreased, in large part, because the Housing Choice Voucher HAP (housing assistance payments) payments decreased by \$108,523 from the prior year due to a lower leaseup average this fiscal year. Personnel costs increased \$21,347 due mainly to more hours for a couple of employees and inflation increases for employee benefits. Insurance increase by \$25,072, in

Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

large part, due to making an adjustment of \$16,198 to this years insurance expense to correct the prior year. Utilities decreased by \$7,866 due to reductions in water and gas disbursements.

The following represents changes in Federal Assistance received:

| | <u>06/30/07</u> | <u>06/30/06</u> | <u>Dollar</u> <u>Change</u> | <u>Per Cent</u> <u>Change</u> |
|----------------------|-------------------|-------------------|--------------------------------|----------------------------------|
| Public Housing | | | | |
| Operating Subsidy | \$ 145,611 | \$ 144,250 | \$ 1,361 | 0.9% |
| Capital Fund Program | | | | |
| Grants | 159,127 | 9,450 | 149,677 | 1,584% |
| Housing Choice | | | | |
| Voucher Program | 468,271 | 499,429 | (31,158) | (6.2)% |
| New Construction | | | | |
| Section 8 Program | <u>220,765</u> | <u>185,267</u> | <u>35,498</u> | <u>19.2%</u> |
| Total | <u>\$ 993,774</u> | <u>\$ 838,396</u> | <u>\$ 155,378</u> | <u>18.5%</u> |

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Housing Choice Vouchers decreased due to the underutilization of the vouchers. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending June 30, 2007 progressed along more rapidly than the prior year, thus utilizing more of our Capital Fund Program funding in the fiscal year ending June 30, 2007 than in the fiscal year ending June 30, 2006. The New Construction Section 8 Program increased \$35,498, because of tenant rents increasing.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending June 30, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

OPERATIONAL HIGHLIGHTS

The Greenville Housing Commission provided the following housing for low-income elderly and low-income families:

| | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
|----------------------------|--------------------------|--------------------------|
| Low Rent Public Housing | 89 | 89 |
| Housing Choice Voucher | 107 | 107 |
| New Construction Section 8 | 61 | 61 |

During the fiscal year ending June 30, 2007, Greenville Housing Commission maintained a lease-up rate of 90.9% in its Public Housing Program and a lease-up rate of 80.4% in its Housing Choice Voucher program. The New Construction Section 8 program had a 91.5% lease-up rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

**Greenville Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

CAPITAL ASSETS

During the fiscal year ending June 30, 2007, our Capital Fund Program work projects included:

We replaced some floors and kitchen and bath cabinets in the Friendship House West. We, also, had painting done and purchased range hoods and had some plumbing done. A computer was purchased for \$4,392.

Capital projects planned for the next fiscal year include continuing site improvements of the facilities.

Capital Assets - The Greenville Housing Commission's investment in capital assets, as of June 30, 2007 amounts to \$2,192,103 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,**

| | <u>2007</u> | <u>2006</u> | <u>Dollar Change</u> |
|--|---------------------|---------------------|--------------------------|
| Land | \$ 86,786 | \$ 86,786 | \$ |
| Buildings | 5,899,532 | 5,781,846 | 117,686 |
| Furniture, equipment and machinery - dwellings | 114,671 | 114,671 | |
| Furniture, equipment and machinery - administration | 203,583 | 199,191 | 4,392 |
| Building improvements | <u>116,848</u> | <u>117,686</u> | <u>(838)</u> |
| | 6,421,420 | 6,300,180 | 121,240 |
| Accumulated depreciation | <u>(4,229,317)</u> | <u>(3,967,033)</u> | <u>(262,284)</u> |
| Total | <u>\$ 2,192,103</u> | <u>\$ 2,333,147</u> | <u>\$ (141,044)</u> |

Capital assets decreased by \$141,044, because capital outlays of \$121,240 and depreciation of \$262,284.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Lorri J. Brookman, Executive Director
Greenville Housing Commission
308 E. Oak Street, Greenville, MI 48838

FINANCIAL STATEMENTS

GREENVILLE HOUSING COMMISSION

STATEMENT OF NET ASSETS

June 30, 2007

=====

ASSETS

Current Assets:

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 278,800 |
| Receivables, net | 8,137 |
| Investments | 510,552 |
| Prepaid expenses | <u>21,471</u> |

| | |
|----------------------|----------------|
| Total Current Assets | <u>818,960</u> |
|----------------------|----------------|

Capital Assets:

| | |
|-----------------------|----------------|
| Land | 86,786 |
| Buildings | 5,899,532 |
| Equipment | 318,254 |
| Building improvements | <u>116,848</u> |

| | |
|--------------------------------|---------------------|
| | 6,421,420 |
| Less: accumulated depreciation | <u>(4,229,317)</u> |

| | |
|--------------------|------------------|
| Net Capital Assets | <u>2,192,103</u> |
|--------------------|------------------|

| | |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 3,011,063</u></u> |
|--------------|----------------------------|

See notes to financial statements

GREENVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2007
=====

LIABILITIES and NET ASSETS

Current Liabilities:

| | |
|-----------------------------------|------------|
| Bank overdraft | \$ 1,868 |
| Accounts payable | 42,683 |
| Tenant security deposit liability | 37,766 |
| Accrued expenses | 1,159 |
| Deferred revenues | 13,956 |
| Current portion of long-term debt | 145,000 |
| Other current liabilities | 560 |
| Accrued liabilities-other | <u>150</u> |

| | |
|---------------------------|----------------|
| Total Current Liabilities | <u>243,142</u> |
|---------------------------|----------------|

Noncurrent liabilities:

| | |
|--------------------------------|--------------|
| Long-term debt, net of current | 340,000 |
| Accrued compensated absences | <u>8,393</u> |

| | |
|------------------------------|----------------|
| Total Noncurrent Liabilities | <u>348,393</u> |
|------------------------------|----------------|

| | |
|-------------------|----------------|
| Total Liabilities | <u>591,535</u> |
|-------------------|----------------|

Net Assets:

| | |
|----------------------------|----------------|
| Invested in capital assets | 1,707,103 |
| Unrestricted net assets | <u>712,425</u> |

| | |
|------------------|------------------|
| Total Net Assets | <u>2,419,528</u> |
|------------------|------------------|

| | |
|----------------------------------|----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 3,011,063</u></u> |
|----------------------------------|----------------------------|

See notes to financial statements

GREENVILLE HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**

Year Ended June 30, 2007

=====

OPERATING REVENUES:

| | |
|------------------|--------------|
| Dwelling rent | \$ 328,473 |
| Nondwelling rent | <u>1,472</u> |

| | |
|--------------------------|----------------|
| Total operating revenues | <u>329,945</u> |
|--------------------------|----------------|

OPERATING EXPENSES:

| | |
|------------------------------------|----------------|
| Administration | 217,752 |
| Tenant services | 805 |
| Utilities | 120,298 |
| Ordinary maintenance and operation | 245,735 |
| General expenses | 134,448 |
| Extraordinary maintenance | 8,908 |
| Housing assistance payments | 284,409 |
| Depreciation | <u>262,283</u> |

| | |
|--------------------------|------------------|
| Total operating expenses | <u>1,274,638</u> |
|--------------------------|------------------|

| | |
|------------------------|-------------------|
| Operating income(loss) | <u>(944,693)</u> |
|------------------------|-------------------|

NONOPERATING REVENUES:

| | |
|----------------------------|----------------|
| Investment interest income | 14,058 |
| Other income | 14,808 |
| Operating grants | 876,926 |
| Capital grants | <u>116,848</u> |

| | |
|-----------------------------|------------------|
| Total nonoperating revenues | <u>1,022,640</u> |
|-----------------------------|------------------|

| | |
|----------------------|--------|
| Change in net assets | 77,947 |
|----------------------|--------|

| | |
|--------------------------|--------|
| Prior period adjustments | 19,019 |
|--------------------------|--------|

| | |
|-----------------------|------------------|
| Net assets, beginning | <u>2,322,562</u> |
|-----------------------|------------------|

| | |
|--------------------|----------------------------|
| Net assets, ending | <u><u>\$ 2,419,528</u></u> |
|--------------------|----------------------------|

See notes to financial statements

GREENVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|-------------------|
| Cash received from dwelling and nondwelling rents | \$ 330,911 |
| Cash payments to other suppliers of goods and services | (640,256) |
| Cash payments to employees for services | (317,760) |
| Cash payments for in lieu of taxes | <u>(-)</u> |
| Net cash (used) by operating activities | <u>(627,105)</u> |

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

| | |
|--|----------------|
| Adjustments | (2,575) |
| Tenant security deposits | 2,970 |
| Operating grants | 876,926 |
| Other revenue | <u>14,808</u> |
| Net cash provided by noncapital financing activities | <u>892,129</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

| | |
|---|-------------------|
| Long-term debt principal payments | (130,000) |
| Capital grants | 116,848 |
| Payments for capital acquisitions | <u>(121,240)</u> |
| Net cash (used) by capital and related financing activities | <u>(134,392)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------------|
| Investments increased by | (34,224) |
| Receipts of interest and dividends | <u>14,058</u> |
| Net cash (used) by investing activities | <u>(20,166)</u> |

| | |
|--------------------------------------|-------------------|
| Net increase(decrease) in cash | 110,466 |
| Cash and cash equivalents, beginning | <u>168,334</u> |
| Cash and cash equivalents, ending | <u>\$ 278,800</u> |

GREENVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2007
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

| | |
|---|----------------------------|
| Operating income(loss) | \$(944,693) |
| Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities: | |
| Depreciation | 262,283 |
| Bad debt allowance adjustment | 90 |
| Prior period adjustment | 19,452 |
| Correction of errors | (433) |
| Changes in assets and liabilities: | |
| (Increase) decrease in assets: | |
| Accounts receivable-tenants | (5,107) |
| Prepaid expenses | 22,212 |
| Increase (decrease) in liabilities: | |
| Bank overdraft | 1,868 |
| Accounts payable | (5,727) |
| Accrued wage/payroll taxes payable | (1,034) |
| Accrued compensated absences | (2,134) |
| Accounts payable-PILOT | 20,045 |
| Deferred revenues | <u>6,073</u> |
| Net cash (used) by operating activities | <u><u>\$(627,105)</u></u> |

See notes to financial statements

GREENVILLE HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007
=====

NOTE 1: Summary of Significant Accounting Policies

The Greenville Housing Commission (the Housing Commission) is a component unit of the City of Greenville, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Greenville on April 8, 1968, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

| | |
|---------------------|--------------------|
| Primary Government: | Housing Commission |
|---------------------|--------------------|

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

| Program | Brief Description |
|------------------------------------|--|
| Low Rent Program | Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units. |
| Housing Choice Vouchers Program | Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market. |
| New Construction Section 8 Program | Accounts for activities of the New Construction program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units. |
| Capital Fund Program | Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments. |

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

1(c) Measurement Focus and Basis of Accounting

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

1(d) Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net

1(d) Assets, Liabilities, and Equity (Continued)

Capital Assets (Continued)

Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---------------------------|--------------|
| Buildings | 40 years |
| Building improvements | 10 years |
| Equipment and furnishings | 5 - 10 years |

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments and for FSS escrow deposits.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

| Program | Required By |
|------------------------------------|------------------------|
| Public and Indian Housing | U.S. Department of HUD |
| Housing Choice Vouchers Program | U.S. Department of HUD |
| New Construction Section 8 Program | U.S. Department of HUD |
| Capital Fund Program | U.S. Department of HUD |

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

| <i>Revenue Source</i> | <i>Legal Restrictions of Use</i> |
|-----------------------|----------------------------------|
| Capital Fund Program | Modernization |

For the year ended June 30, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

3(a) Cash and Investments (Continued)

Deposits (Continued)

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

| | Total Bank Balance | Custody Credit Risk | | | Total Carrying Value |
|------------------------|--------------------------|---------------------|---------------|------------------|----------------------------|
| | | Category 1 | Category 2 | Category 3 | |
| Demand deposits | \$303,924 | \$142,678 | \$ | \$161,246 | \$ 240,496 |
| Savings | 15,825 | 15,825 | | | 15,825 |
| Money market | 4,831 | 4,831 | | | 4,831 |
| Certificate of deposit | 17,523 | 17,523 | | | 17,523 |
| | <u>\$342,103</u> | <u>\$180,857</u> | <u>\$</u> | <u>\$161,246</u> | <u>\$ 278,675</u> |

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

3(a) Cash and Investments (Continued)

Investments (Continued)

| | Custody Credit Risk | | | | |
|--------------------------|---------------------|-----------|-----------|-------------------|-------------------|
| | Category | Category | Category | Carrying | Fair |
| | 1 | 2 | 3 | Amount | Value |
| Certificates of deposits | \$ 67,477 | \$ | \$ | \$ 67,477 | \$ 67,477 |
| Money market | 443,075 | | | 443,075 | 443,075 |
| | <u>\$ 510,552</u> | <u>\$</u> | <u>\$</u> | <u>\$ 510,552</u> | <u>\$ 510,552</u> |

A reconciliation of cash as shown on the combined statement of net assets is as follows:

| | |
|--|-------------------|
| Cash on hand | \$ 125 |
| Carrying amount of deposits | 278,675 |
| Investments | 510,552 |
| Total | <u>\$ 789,352</u> |
| Cash and investments: | |
| Enterprise activities | \$ 852,810 |
| Enterprise activities - checks written in excess of deposits | (63,458) |
| Total | <u>\$ 789,352</u> |

3(b) Receivables

Receivables detail at June 30, 2007, is as follows:

| | |
|---------------------------------|-----------------|
| Tenant accounts receivable | \$ 17,172 |
| Allowance for doubtful accounts | (9,035) |
| | <u>\$ 8,137</u> |

3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

| | Balance 06/30/06 | Additions/ Transfers | Retirements/ Transfers | Balance 06/30/07 |
|--|---------------------|-------------------------|---------------------------|---------------------|
| Low Rent Program | | | | |
| Land | \$ 68,012 | \$ | \$ | \$ 68,012 |
| Buildings | 3,267,570 | 117,686 | | 3,385,256 |
| Furniture, equip. & machinery - dwellings | 54,671 | | | 54,671 |
| Furniture, equip. & machinery - administration | 170,339 | 4,392 | | 174,731 |
| | <u>3,560,592</u> | <u>\$ 122,078</u> | <u>\$</u> | <u>3,682,670</u> |
| Less accumulated depreciation | (2,222,368) | <u>\$ (182,322)</u> | <u>\$</u> | <u>(2,404,690)</u> |
| Total | <u>\$1,338,224</u> | | | <u>\$1,277,980</u> |

3(c) Capital Assets (Continued)

| | <u>Balance 06/30/06</u> | <u>Additions/ Transfers</u> | <u>Retirements/ Transfers</u> | <u>Balance 06/30/07</u> |
|--|-----------------------------|---------------------------------|-----------------------------------|-----------------------------|
| Capital Fund Program | | | | |
| Buildings | <u>\$ 117,686</u> | <u>\$ 116,848</u> | <u>\$ (117,686)</u> | <u>\$ 116,848</u> |
| Housing Choice Voucher Program | | | | |
| Furniture, equip. & machinery - administration | \$ 656 | <u>\$</u> | <u>\$</u> | \$ 656 |
| Less accumulated depreciation | <u>(656)</u> | <u>\$</u> | <u>\$</u> | <u>(656)</u> |
| Total | <u>\$</u> | | | <u>\$</u> |
| New Construction Section 8 Program | | | | |
| Land | \$ 18,774 | \$ | \$ | \$ 18,774 |
| Buildings | 2,514,276 | | | 2,514,276 |
| Furniture, equip. & machinery - dwellings | 60,000 | | | 60,000 |
| Furniture, equip. & machinery - administration | 28,196 | <u>\$</u> | <u>\$</u> | 28,196 |
| | <u>2,621,246</u> | <u>\$</u> | <u>\$</u> | <u>2,621,246</u> |
| Less accumulated depreciation | <u>(1,744,009)</u> | <u>\$ (79,962)</u> | <u>\$</u> | <u>(1,823,971)</u> |
| Total | <u>\$ 877,237</u> | | | <u>\$ 797,275</u> |
| Combined Totals | | | | <u>\$2,192,103</u> |

3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

| | |
|---|------------------|
| Accounts payable - vendors | \$ 23,204 |
| Accounts payable - other government-PILOT | <u>16,866</u> |
| | <u>\$ 40,070</u> |

3(e) Accrued Expenses

Accrued expense detail at June 30, 2007, is as follows:

| | |
|--|------------------|
| Accrued wage/payroll taxes payable | \$ 11,376 |
| Accrued compensated absences-current portion | <u>21,371</u> |
| | <u>\$ 32,747</u> |

3(f) Other Current Liabilities

Other current liabilities as of June 30, 2007 consist of \$560 due to the Van Horn Memorial.

3(g) Accrued Liabilities-Other

Accrued liabilities-other as of June 30, 2007 consist of \$150 due to others for a performance deposit.

3(h) Non-current Liabilities

As of June 30, 2007, the non-current liabilities are comprised of the following:

| | |
|--|-------------------|
| Long-term debt, net of current | \$ 340,000 |
| Accrued compensated absences - noncurrent portion | <u>8,393</u> |
| | <u>\$ 348,393</u> |

3(i) Interprogram Transactions and Balances

Operating Transfers

The capital fund program transferred \$42,279 to the low rent program during the fiscal year ended June 30, 2007.

Interprogram Receivable/Payable

| | |
|------------------------------------|-------------------|
| Low Rent Program | \$ 130,477 |
| Housing Choice Voucher Program | (11,571) |
| New Construction Section 8 Program | <u>(118,906)</u> |
| | <u>\$</u> |

3(j) Long-Term Debt

Details of the Housing Commission's outstanding indebtedness, are set forth below:

At June 30, 2007, long-term debt consists of:

On April 1, 1979 the Greenville Housing Development Corporation, a charitable, non-profit corporation organized and existing under the laws of the State of Michigan acting as the instrumentality of the Greenville Housing Commission, a public housing commission of the State of Michigan. The First Lien Revenue Bond, Series 1978 loan was for \$2,085,000, issued for the purpose of causing to be constructed thereon acquiring certain real estate in Greenville, Michigan, and 61 housing units and equipment for cooking, heating and refrigeration, for persons of low income, including families and elderly, handicapped and disabled persons, to be leased to the City of Greenville, Michigan, acting by and through the Greenville Housing Commission. The Bonds, mature on

3(j) Long-Term Debt (Continued)

October 1, from 1980 to 1999, inclusive, and on October 1, 2009, in the aggregate principal amount of Two Million Eighty-five Thousand Dollars (\$2,085,000). The interest rate is eight percent (8%).

Principal payments over the next five years are as follows:

| | |
|------|-------------------|
| 2008 | \$ 145,000 |
| 2009 | 160,000 |
| 2010 | 175,000 |
| 2011 | - |
| 2012 | - |
| | <u>\$ 480,000</u> |

Debt activity during the fiscal year ended June 30, 2007 is as follows:

| | |
|--------------------------|-------------------|
| Balance at June 30, 2006 | \$ 615,000 |
| Principal payments | <u>(135,000)</u> |
| Balance at June 30, 2007 | <u>\$ 480,000</u> |

NOTE 4: Other Notes

4(a) Employee Retirement Plan

The Greenville Housing Commission contributes 4% of employee earnings to a tax sheltered annuity program administered by the State Farm Insurance Company in the employee's name. The Housing Commission contributed \$8,185 and employee's \$6,307 to the plan during the fiscal year. The pension plan is a defined contribution plan.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

| Type of Loss | Method Managed |
|---|--|
| a. Torts, errors and omissions | Insurance coverage under the Michigan Township Participating Plan. |
| b. Injuries to employees (workers' compensation) | Insured by the Accident Fund. |

4(b) Risk Management (Continued)

| Type of Loss | Method Managed |
|---|---|
| c. Physical property loss and natural disasters | Insurance coverage under the Michigan Township Participating Plan. |
| d. Liability | Insurance coverage under the Michigan Township Participating Plan. |
| e. Health | Included in the City of Greenville's priority health plan for health insurance. |
| f. Flood | Insurance coverage with State Farm Insurance. |
| g. Life, disability and dental | Insurance coverage with American Community Mutual. |
| h. Boiler & machinery | Insurance coverage with Travelers. |

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At June 30, 2007, the Housing Commission had the following pending construction projects in progress:

| | <u>Funds Approved</u> | <u>Funds Expended - Project to Date</u> |
|----------|---------------------------|---|
| 2005 CFP | \$ 124,937 | \$ 123,972 |
| 2006 CFP | 120,608 | - |
| 2007 CFP | <u>123,455</u> | <u>-</u> |
| | <u>\$ 369,000</u> | <u>\$ 123,972</u> |

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

| | |
|---|--------------------|
| <u>Low Rent Program</u> | |
| Prior year adjusting journal entry | \$ 19,452 |
| Equity transfer | <u>117,686</u> |
| | <u>\$ 137,138</u> |
| <u>Capital Fund Program</u> | |
| Transfer CFP 2003 to Low Rent | <u>\$(117,686)</u> |
| <u>New Construction Section 8 Program</u> | |
| Correction of errors | <u>\$(433)</u> |

NOTE 5: Segment Information

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2007, was as follows:

| | <u>Low Rent Program</u> | <u>Capital Fund Program</u> | <u>Housing Choice Vouchers</u> | <u>New Construction Program</u> |
|--|-----------------------------|-------------------------------------|--|---|
| Condensed Statement of Net Assets | | | | |
| Current assets | \$ 193,371 | \$ | \$ 235,504 | \$ 520,562 |
| Capital assets | <u>1,277,980</u> | <u>116,848</u> | | <u>797,275</u> |
| Total assets | <u>\$1,471,351</u> | <u>\$116,848</u> | <u>\$ 235,504</u> | <u>\$1,317,837</u> |
| Current liabilities | \$ 61,505 | \$ | \$ 11,571 | \$ 300,543 |
| Noncurrent liabilities | <u>8,393</u> | | | <u>340,000</u> |
| Total noncurrent liabilities | <u>69,898</u> | | <u>11,571</u> | <u>640,543</u> |
| Net assets: | | | | |
| Invested in capital assets | 1,277,980 | 116,848 | | 312,276 |
| Unrestricted net assets | <u>123,473</u> | | <u>223,933</u> | <u>365,018</u> |
| Total net assets | <u>1,401,453</u> | <u>116,848</u> | <u>223,933</u> | <u>677,294</u> |
| Total liabilities & net assets | <u>\$1,471,351</u> | <u>\$116,848</u> | <u>\$ 235,504</u> | <u>\$1,317,837</u> |

NOTE 5: Segment Information (Continued)

| | <u>Low Rent Program</u> | <u>Capital Fund Program</u> | <u>Housing Choice Vouchers</u> | <u>New Construction Program</u> |
|---|-----------------------------|-------------------------------------|--|---|
| Condensed Statement of Revenues, Expenses, and Changes in Net Assets | | | | |
| Dwelling and nondwelling rents | \$ 198,945 | \$ | \$ | \$ 131,000 |
| Depreciation | (182,322) | | | (79,961) |
| Other operating expenses | (409,691) | | (333,624) | (269,040) |
| Operating(loss) | (393,068) | | (333,624) | (218,001) |
| Nonoperating revenues: | | | | |
| Investment earnings | 3,943 | | 4,989 | 5,126 |
| Other income | 10,064 | | | 4,744 |
| Operating grants | 145,611 | 42,279 | 468,271 | 220,765 |
| Capital grants | | 116,848 | | |
| Operating transfers | 42,279 | (42,279) | | |
| Change in net assets | (191,171) | 116,848 | 139,636 | 12,634 |
| Prior period adjustments, equity transfers, and corrections | 137,138 | (117,686) | | (433) |
| Beginning net assets | 1,455,486 | 117,686 | 84,297 | 665,093 |
| Ending net assets | <u>\$1,401,453</u> | <u>\$116,848</u> | <u>\$ 223,933</u> | <u>\$ 677,294</u> |
| Condensed Statement of Cash Flows | | | | |
| Net cash provided (used) by: | | | | |
| Operating activities | \$ (179,868) | \$ | \$ (319,203) | \$ (128,034) |
| Noncapital financing activities | 160,926 | | 468,271 | 262,932 |
| Capital and related financing activities | (4,392) | | | (130,000) |
| Investing activities | 3,953 | | 4,989 | (29,108) |
| Net increase(decrease) | (19,381) | | 154,057 | (24,210) |
| Beginning cash and cash equivalents | 41,760 | | 78,872 | 47,702 |
| Ending cash and cash equivalents | <u>\$ 22,379</u> | <u>\$</u> | <u>\$ 232,929</u> | <u>\$ 23,492</u> |

SUPPLEMENTARY INFORMATION

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
June 30, 2007
=====

| | |
|----------------|---------------|
| C-3011 | Capital |
| Low Rent | Fund |
| Program | Program |
| <u>14.850a</u> | <u>14.872</u> |

ASSETS

| | | |
|---------------------------------|---------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 22,379 | \$ |
| Receivables: | | |
| Tenants-dwelling rents | 11,364 | |
| Allowance for doubtful accounts | (9,035) | |
| Investments-unrestricted | 27,477 | |
| Prepaid expenses | 10,709 | |
| Due from other programs | <u>130,477</u> | |
| Total current assets | <u>193,371</u> | |
| Capital assets: | | |
| Land | 68,012 | |
| Buildings | 3,385,256 | |
| Equipment | 229,402 | |
| Building improvements | | <u>116,848</u> |
| | 3,682,670 | 116,848 |
| Less accumulated depreciation | <u>(2,404,690)</u> | |
| Net capital assets | <u>1,277,980</u> | <u>116,848</u> |
| Total Assets | <u>\$ 1,471,351</u> | <u>\$ 116,848</u> |

| Housing Choice Vouchers Program 14.871 | New Construction Section 8 Program 14.182 | Totals |
|--|---|---------------------|
| \$ 232,929 | \$ 23,492 | \$ 278,800 |
| | 5,808 | 17,172 |
| | | (9,035) |
| | 483,075 | 510,552 |
| 2,575 | 8,187 | 21,471 |
| | | 130,477 |
| <u>235,504</u> | <u>520,562</u> | <u>949,437</u> |
| | 18,774 | 86,786 |
| | 2,514,276 | 5,899,532 |
| 656 | 88,196 | 318,254 |
| | | 116,848 |
| 656 | 2,621,246 | 6,421,420 |
| (656) | (1,823,971) | (4,229,317) |
| | 797,275 | 2,192,103 |
| <u>\$ 235,504</u> | <u>\$ 1,317,837</u> | <u>\$ 3,141,540</u> |

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)

June 30, 2007

=====

| | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|-----------------------------------|---|---|
| LIABILITIES and NET ASSETS | | |
| Current liabilities: | | |
| Bank overdraft | \$ 1,868 | \$ |
| Accounts payable | 26,829 | |
| Tenant security deposit liability | 22,354 | |
| Accrued expenses | 1,159 | |
| Deferred revenues | 8,735 | |
| Current portion of long-term debt | | |
| Other current liabilities | 560 | |
| Accrued liabilities-other | | |
| Due to other programs | <u> </u> | <u> </u> |
| Total current liabilities | <u>61,505</u> | <u> </u> |
| Noncurrent liabilities: | | |
| Long-term debt, net of current | | |
| Accrued compensated absences | <u>8,393</u> | <u> </u> |
| Total noncurrent liabilities | <u>8,393</u> | <u> </u> |
| Total liabilities | <u>69,898</u> | <u> </u> |
| Net Assets: | | |
| Invested in capital assets | 1,277,980 | 116,848 |
| Unrestricted net assets | <u>123,473</u> | <u> </u> |
| Total net assets | <u>1,401,453</u> | <u>116,848</u> |
| Total Liabilities and Net Assets | <u><u>\$1,471,351</u></u> | <u><u>\$ 116,848</u></u> |

| Housing Choice Vouchers Program <u>14.871</u> | New Construction Section 8 Program <u>14.182</u> | <u>Totals</u> |
|---|--|---------------------|
| \$ | \$ | \$ |
| | 15,854 | 1,868 |
| | 15,412 | 42,683 |
| | | 37,766 |
| | | 1,159 |
| | 5,221 | 13,956 |
| | 145,000 | 145,000 |
| | | 560 |
| | 150 | 150 |
| <u>11,571</u> | <u>118,906</u> | <u>130,477</u> |
| <u>11,571</u> | <u>300,543</u> | <u>373,619</u> |
| | 340,000 | 340,000 |
| | | 8,393 |
| | <u>340,000</u> | <u>348,393</u> |
| <u>11,571</u> | <u>640,543</u> | <u>722,012</u> |
| | 312,276 | 1,707,104 |
| <u>223,933</u> | <u>365,018</u> | <u>712,424</u> |
| <u>223,933</u> | <u>677,294</u> | <u>2,419,528</u> |
| <u>\$ 235,504</u> | <u>\$ 1,317,837</u> | <u>\$ 3,141,540</u> |

GREENVILLE HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended June 30, 2007

=====

| | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|--|---|---|
| OPERATING REVENUES: | | |
| Dwelling rent | \$ 197,971 | \$ |
| Nondwelling rent | <u>974</u> | <u> </u> |
| Total operating revenues | <u>198,945</u> | <u> </u> |
| OPERATING EXPENSES: | | |
| Administration | 118,551 | |
| Tenant services | 328 | |
| Utilities | 68,236 | |
| Ordinary maintenance and operation | 163,166 | |
| General expenses | 59,676 | |
| Extraordinary maintenance | (266) | |
| Housing assistance payments | | |
| Depreciation | <u>182,322</u> | <u> </u> |
| Total operating expenses | <u>592,013</u> | <u> </u> |
| Operating income(loss) | <u>(393,068)</u> | <u> </u> |
| NONOPERATING REVENUES: | | |
| Operating transfers in(out) | 42,279 | (42,279) |
| Investment interest income | 3,943 | |
| Other income | 10,064 | |
| Operating grants | 145,611 | 42,279 |
| Capital grants | <u> </u> | <u>116,848</u> |
| Total nonoperating revenues | <u>201,897</u> | <u>116,848</u> |
| Change in net assets | (191,171) | 116,848 |
| Prior period adjustments, equity transfers and correction of errors | 137,138 | (117,686) |
| Net assets, beginning | <u>1,455,486</u> | <u>117,686</u> |
| Net assets, ending | <u>\$1,401,453</u> | <u>\$116,848</u> |

| Housing Choice Vouchers Program <u>14.871</u> | New Construction Section 8 Program <u>14.182</u> | <u>Totals</u> |
|---|--|---------------------|
| \$ | \$ 130,502 | \$ 328,473 |
| | 498 | 1,472 |
| | 131,000 | 329,945 |
| 49,215 | 49,986 | 217,752 |
| | 477 | 805 |
| | 52,062 | 120,298 |
| | 82,569 | 245,735 |
| | 74,772 | 134,448 |
| | 9,174 | 8,908 |
| 284,409 | | 284,409 |
| | 79,961 | 262,283 |
| <u>333,624</u> | <u>349,001</u> | <u>1,274,638</u> |
| (333,624) | (218,001) | (944,693) |
| 4,989 | 5,126 | 14,058 |
| | 4,744 | 14,808 |
| 468,271 | 220,765 | 876,926 |
| | | 116,848 |
| <u>473,260</u> | <u>230,635</u> | <u>1,022,640</u> |
| 139,636 | 12,634 | 77,947 |
| | (433) | 19,019 |
| <u>84,297</u> | <u>665,093</u> | <u>2,322,562</u> |
| <u>\$ 223,933</u> | <u>\$ 677,294</u> | <u>\$ 2,419,528</u> |

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2007

=====

| | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from dwelling and nondwelling rents | \$ 198,875 | \$ |
| Cash payments to other suppliers of goods and services | (181,235) | |
| Cash payments to employees for services | (197,508) | |
| Cash payments for in lieu of taxes | <u> </u> | <u> </u> |
| Net cash (used) by operating activities | <u>(179,868)</u> | <u> </u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Adjustment | | |
| Operating transfers in(out) | 42,279 | (42,279) |
| Interprogram due from(to) | (37,240) | |
| Tenant security deposits | 212 | |
| Operating grants | 145,611 | 42,279 |
| Other revenue | <u>10,064</u> | <u> </u> |
| Net cash provided by noncapital financing activities | <u>160,926</u> | <u> </u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Long-term debt principal payments | | 116,848 |
| Capital grants | | |
| Payments for capital acquisitions | <u>(4,392)</u> | <u>(116,848)</u> |
| Net cash (used) by capital and related financing activities | <u>(4,392)</u> | <u> </u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investments decreased (increased) | 10 | |
| Receipts of interest and dividends | <u>3,943</u> | <u> </u> |
| Net cash provided (used) by investing activities | <u>3,953</u> | <u> </u> |
| Net increase(decrease) in cash | (19,381) | |
| Cash and cash equivalents, beginning | <u>41,760</u> | <u> </u> |
| Cash and cash equivalents, ending | <u>\$ 22,379</u> | <u>\$</u> |

| Housing Choice Vouchers Program 14.871 | New Construction Section 8 Program 14.182 | Totals |
|--|---|-------------------|
| \$ | \$ 132,036 | \$ 330,911 |
| (277,224) | (181,797) | (640,256) |
| (41,979) | (78,273) | (317,760) |
| <u>(319,203)</u> | <u>(128,034)</u> | <u>(627,105)</u> |
| (2,575) | | (2,575) |
| 2,575 | 34,665 | |
| | 2,758 | 2,970 |
| 468,271 | 220,765 | 876,926 |
| <u></u> | <u>4,744</u> | <u>14,808</u> |
| <u>468,271</u> | <u>262,932</u> | <u>892,129</u> |
| | (130,000) | (130,000) |
| | | 116,848 |
| <u></u> | <u></u> | <u>(121,240)</u> |
| <u></u> | <u>(130,000)</u> | <u>(134,392)</u> |
| | (34,234) | (34,224) |
| <u>4,989</u> | <u>5,126</u> | <u>14,058</u> |
| <u>4,989</u> | <u>(29,108)</u> | <u>(20,166)</u> |
| 154,057 | (24,210) | 110,466 |
| <u>78,872</u> | <u>47,702</u> | <u>168,334</u> |
| <u>\$ 232,929</u> | <u>\$ 23,492</u> | <u>\$ 278,800</u> |

GREENVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended June 30, 2007

=====

| | |
|----------------|---------------|
| C-3011 | Capital |
| Low Rent | Fund |
| Program | Program |
| <u>14.850a</u> | <u>14.872</u> |

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

| | | |
|---|---------------------|-----------|
| Operating income(loss) | \$(404,639) | \$ |
| Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities: | | |
| Depreciation | 182,322 | |
| Bad debt allowance adjustment | 1,388 | |
| Prior period adjustment | 19,452 | |
| Correction of errors | | |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable-tenants | (1,894) | |
| Prepaid expenses | 16,198 | |
| Increase (decrease) in liabilities: | | |
| Bank overdraft | 1,868 | |
| Accounts payable | (5,727) | |
| Accrued wage/payroll taxes payable | (1,034) | |
| Accrued compensated absences | (2,134) | |
| Accounts payable-PILOT | 12,508 | |
| Deferred revenues | <u>1,824</u> | |
| Net cash (used) by operating activities | <u>\$(179,868)</u> | <u>\$</u> |

| Housing Choice Vouchers Program 14.871 | New Construction Section 8 Program 14.182 | Totals |
|--|---|----------------------|
| \$ (322,053) | \$ (218,001) | \$ (944,693) |
| | 79,961 | 262,283 |
| | (1,298) | 90 |
| | | 19,452 |
| | (433) | (433) |
| | (3,213) | (5,107) |
| 2,850 | 3,164 | 22,212 |
| | | 1,868 |
| | | (5,727) |
| | | (1,034) |
| | | (2,134) |
| | 7,537 | 20,045 |
| | 4,249 | 6,073 |
| <u>\$ (319,203)</u> | <u>\$ (128,034)</u> | <u>\$ (627,105)</u> |

GREENVILLE HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2007

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Fiscal Year | <u>Federal Grantor</u> | <u>CFDA No.</u> | <u>Expenditures</u> |
|----------------|--|-----------------|---------------------|
| | <u>U.S. Department of HUD</u> | | |
| | <u>Public and Indian Housing</u> <u>Major - Direct Program</u> | | |
| 2007 | Low Rent Public Housing | 14.850a | \$ 145,611 |
| | <u>Public and Indian Housing</u> <u>Major - Direct Program</u> | | |
| 2007 | Capital Fund Program | 14.872 | 159,127 |
| | <u>Low Income Public Housing</u> <u>Major - Direct Program</u> | | |
| 2007 | Housing Choice Vouchers | 14.871 | 468,271 |
| | <u>Low Income Public Housing</u> <u>Nonmajor - Direct Program</u> | | |
| 2007 | New Construction S/R Section 8 Program | 14.182 | <u>220,765</u> |
| | Total | | <u>\$ 993,774</u> |

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

GREENVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2007

=====

| FDS Line Item No. | | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|-------------------------|---|---|---|
| | ASSETS | | |
| | Current Assets: | | |
| | Cash: | | |
| 111 | Cash-unrestricted | \$ 25 | \$ |
| 114 | Cash-tenant security deposits | <u>22,354</u> | |
| 100 | Total cash | <u>22,379</u> | |
| | Receivables: | | |
| 126 | A/R-tenants-dwelling rents | 11,364 | |
| 126.1 | Allowance for doubtful accounts | <u>(9,035)</u> | |
| 120 | Total receivables, net of allowance for doubtful accounts | <u>2,329</u> | |
| 131 | Investments-unrestricted | <u>27,477</u> | |
| | Other Current Assets: | | |
| 142 | Prepaid expenses and other assets | 10,709 | |
| 144 | Interprogram due from | <u>130,477</u> | |
| | Total other current assets | <u>141,186</u> | |
| 150 | Total current assets | <u>193,371</u> | |
| | Noncurrent Assets: | | |
| | Fixed Assets: | | |
| 161 | Land | 68,012 | |
| 162 | Buildings | 3,385,256 | |
| 163 | Furn, equip & mach-dwellings | 54,671 | |
| 164 | Furn, equip & mach-admin. | 174,731 | |
| 165 | Building improvements | | 116,848 |
| 166 | Accumulated depreciation | <u>(2,404,690)</u> | |
| 160 | Total fixed assets, net of accumulated depreciation | <u>1,277,980</u> | <u>116,848</u> |
| 180 | Total noncurrent assets | <u>1,277,980</u> | <u>116,848</u> |
| 190 | Total Assets | <u>\$ 1,471,351</u> | <u>\$116,848</u> |

| Housing Choice Vouchers Program <u>14.871</u> | New Construction Section 8 Program <u>14.182</u> | <u>Totals</u> |
|---|--|---------------------|
| \$ 232,929 | \$ 8,080 | \$ 241,034 |
| | <u>15,412</u> | <u>37,766</u> |
| <u>232,929</u> | <u>23,492</u> | <u>278,800</u> |
| | 5,808 | 17,172 |
| | | <u>(9,035)</u> |
| | <u>5,808</u> | <u>8,137</u> |
| | <u>483,075</u> | <u>510,552</u> |
| 2,575 | 8,187 | 21,471 |
| | | <u>130,477</u> |
| <u>2,575</u> | <u>8,187</u> | <u>151,948</u> |
| <u>235,504</u> | <u>520,562</u> | <u>949,437</u> |
| | 18,774 | 86,786 |
| | 2,514,276 | 5,899,532 |
| | 60,000 | 114,671 |
| 656 | 28,196 | 203,583 |
| | | 116,848 |
| <u>(656)</u> | <u>(1,823,971)</u> | <u>(4,229,317)</u> |
| | <u>797,275</u> | <u>2,192,103</u> |
| | <u>797,275</u> | <u>2,192,103</u> |
| <u>\$ 235,504</u> | <u>\$ 1,317,837</u> | <u>\$ 3,141,540</u> |

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2007
=====

| FDS Line Item No. | | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|-----------------------------------|--|---|---|
| LIABILITIES and NET ASSETS | | | |
| | Liabilities: | | |
| | Current Liabilities: | | |
| 311 | Bank overdraft | \$ 1,868 | \$ |
| 321 | Accrued wage/payroll taxes payable | 226 | |
| 322 | Accrued compensated absences-current portion | 933 | |
| 333 | Accounts payable-other government | 26,829 | |
| 341 | Tenant security deposits | 22,354 | |
| 342 | Deferred revenues | 8,735 | |
| 343 | Current portion of long-term debt | | |
| 345 | Other current liabilities | 560 | |
| 346 | Accrued liabilities-other | | |
| 347 | Interprogram due to | | |
| 310 | Total current liabilities | <u>61,505</u> | |
| | Noncurrent Liabilities: | | |
| 351 | Long-term debt, net of current | | |
| 354 | Accrued compensated absences | <u>8,393</u> | |
| 350 | Total noncurrent liabilities | <u>8,393</u> | |
| 300 | Total liabilities | <u>69,898</u> | |
| | Net Assets: | | |
| 508.1 | Invested in capital assets | <u>1,277,980</u> | <u>116,848</u> |
| 508 | Total invested in capital assets | 1,277,980 | 116,848 |
| 512.1 | Unrestricted net assets | <u>123,473</u> | |
| 513 | Total Net Assets | <u>1,401,453</u> | <u>116,848</u> |
| 600 | Total Liabilities and Net Assets | <u>\$ 1,471,351</u> | <u>\$116,848</u> |

| Housing Choice Vouchers Program <u>14.871</u> | New Construction Section 8 Program <u>14.182</u> | <u>Totals</u> |
|---|--|---------------------|
| \$ | \$ | \$ 1,868 |
| | | 226 |
| | | 933 |
| | 15,854 | 42,683 |
| | 15,412 | 37,766 |
| | 5,221 | 13,956 |
| | 145,000 | 145,000 |
| | | 560 |
| | 150 | 150 |
| <u>11,571</u> | <u>118,906</u> | <u>130,477</u> |
| <u>11,571</u> | <u>300,543</u> | <u>373,619</u> |
| | | 8,393 |
| | <u>340,000</u> | <u>340,000</u> |
| | <u>340,000</u> | <u>348,393</u> |
| <u>11,571</u> | <u>640,543</u> | <u>722,012</u> |
| | <u>312,276</u> | <u>1,707,104</u> |
| | 312,276 | 1,707,104 |
| <u>223,933</u> | <u>365,018</u> | <u>712,424</u> |
| <u>223,933</u> | <u>677,294</u> | <u>2,419,528</u> |
| <u>\$ 235,504</u> | <u>\$ 1,317,837</u> | <u>\$ 3,141,540</u> |

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

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| FDS Line Item No. | | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|-------------------------|---|---|---|
| | Revenue: | | |
| 703 | Net tenant rental revenue | \$ 197,971 | \$ |
| 704 | Tenant revenue-other | <u>974</u> | |
| 705 | Total tenant revenue | 198,945 | |
| 706 | HUD PHA grants | 145,611 | 42,279 |
| 706.1 | Capital grants | | 116,848 |
| 711 | Investment income-unrestricted | 3,943 | |
| 715 | Other income | <u>10,064</u> | |
| 700 | Total revenue | <u>358,563</u> | <u>159,127</u> |
| | Expenses: | | |
| | Administrative: | | |
| 911 | Administrative salaries | 58,240 | |
| 912 | Auditing fees | 1,650 | |
| 914 | Compensated absences | (2,134) | |
| 915 | Employee benefit contributions-adm. | 31,341 | |
| 916 | Other operating-administrative | 29,454 | |
| | Tenant services: | | |
| 924 | Tenant services-other | 328 | |
| | Utilities: | | |
| 931 | Water | 14,991 | |
| 932 | Electricity | 25,877 | |
| 933 | Gas | 27,368 | |
| | Ordinary maintenance and operation: | | |
| 941 | Ordinary maint & oper-labor | 65,209 | |
| 942 | Ordinary maint & oper-mat'ls & other | 29,586 | |
| 943 | Ordinary maint & oper-contract costs | 38,258 | |
| 945 | Employee benefit contributions | 30,113 | |
| | General expenses: | | |
| 961 | Insurance premiums | 38,346 | |
| 963 | Payments in lieu of taxes | 12,508 | |
| 964 | Bad debt-tenant rents | 8,822 | |
| 967 | Interest expense | <u> </u> | |
| 969 | Total operating expenses | <u>409,957</u> | |
| 970 | Excess operating revenue over operating expenses | <u>(51,394)</u> | <u>159,127</u> |

| Housing Choice Vouchers Program 14.871 | New Construction Section 8 Program 14.182 | Totals |
|--|---|------------|
| \$ | \$ 130,502 | \$ 328,473 |
| | 498 | 1,472 |
| | 131,000 | 329,945 |
| 468,271 | 220,765 | 876,926 |
| | | 116,848 |
| 4,989 | 5,126 | 14,058 |
| | 4,744 | 14,808 |
| 473,260 | 361,635 | 1,352,585 |
| 32,996 | 22,178 | 113,414 |
| | 1,650 | 3,300 |
| | | (2,134) |
| 1,464 | 13,248 | 46,053 |
| 14,755 | 12,910 | 57,119 |
| | 477 | 805 |
| | 13,374 | 28,365 |
| | 21,307 | 47,184 |
| | 17,381 | 44,749 |
| | 25,996 | 91,205 |
| | 11,392 | 40,978 |
| | 28,330 | 66,588 |
| | 16,851 | 46,964 |
| | 19,841 | 58,187 |
| | 7,537 | 20,045 |
| | | 8,822 |
| | 47,394 | 47,394 |
| 49,215 | 259,866 | 719,038 |
| 424,045 | 101,769 | 633,547 |

GREENVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2007

| FDS Line Item No. | | C-3011 Low Rent Program <u>14.850a</u> | Capital Fund Program <u>14.872</u> |
|-------------------------|---|---|---|
| | Expenses continued: | | |
| | Other expenses: | | |
| 971 | Extraordinary maintenance | (266) | |
| 973 | Housing assistance payments | | |
| 974 | Depreciation expense | <u>182,322</u> | |
| | Total other expenses | <u>182,056</u> | |
| 900 | Total expenses | <u>592,013</u> | |
| | Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses) | <u>(233,450)</u> | <u>159,127</u> |
| | Other Financing Sources (Uses): | | |
| 1001 | Operating transfers in | 42,279 | |
| 1002 | Operating transfers (out) | | <u>(42,279)</u> |
| | Total other financing sources (uses) | <u>42,279</u> | <u>(42,279)</u> |
| 1000 | Excess (deficiency) of operating revenue over (under) expenses | (191,171) | 116,848 |
| 1103 | Beginning Net Assets | 1,455,486 | 117,686 |
| 1104 | Prior period adjustments, equity transfers and correction of errors | <u>137,138</u> | <u>(117,686)</u> |
| | Ending Net Assets | <u>\$ 1,401,453</u> | <u>\$116,848</u> |

| Housing Choice Vouchers Program <u>14.871</u> | New Construction Section 8 Program <u>14.182</u> | <u>Totals</u> |
|---|--|---------------------|
| | 9,174 | 8,908 |
| 284,409 | | 284,409 |
| <u>284,409</u> | <u>79,961</u> | <u>262,283</u> |
| | 89,135 | 555,600 |
| <u>333,624</u> | <u>349,001</u> | <u>1,274,638</u> |
| <u>139,636</u> | <u>12,634</u> | <u>77,947</u> |
| | | 42,279 |
| | | (42,279) |
| | | |
| 139,636 | 12,634 | 77,947 |
| 84,297 | 665,093 | 2,322,562 |
| | (433) | 19,019 |
| <u>\$ 223,933</u> | <u>\$ 677,294</u> | <u>\$ 2,419,528</u> |

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Greenville Housing Commission
Greenville, Michigan

I have audited the financial statements of the business-type activities of Greenville Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated January 25, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Greenville Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 07-5, 07-6, 07-7, 07-8, and 07-9.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Standish, CPA, PC

February 10, 2008

**Report on Compliance with Requirements
Applicable To Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Greenville Housing Commission
Greenville, Michigan

Compliance

I have audited the compliance of Greenville Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Greenville Housing Commission
Page Two

Compliance (continued)

As described in items 07-1, 07-2, 07-3, and 07-4 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility, reasonable rent, and housing quality standards inspections that are applicable to the Housing Choice Voucher program. As described in items 07-5, 07-6, and 07-7 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and inspections that are applicable to the Low Rent Public Housing program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Greenville Housing Commission
Page Three

Internal Control Over Compliance (Continued)

administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, and 07-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, and 07-7 to be material weaknesses.

The Housing Commission's response to the findings identified in my audit are described in the accompanying action plan. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Smith, MS, PC

February 10, 2008

GREENVILLE HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
June 30, 2007

=====

- Finding 06-1: Required documentation to determine eligibility is missing in the tenant files for the Housing Choice Voucher Program. This finding has been cleared.
- Finding 06-2: Required documentation to determine eligibility is missing in the tenant files for the Low Rent Public Housing Program. This finding has been cleared.
- Finding 06-3: Required documentation to determine eligibility is missing in the tenant files for the New Construction Section 8 Program. This finding has been cleared.
- Finding 06-4: A rent reasonableness test is required to be performed initially and during the term of the contract for each tenant for the Housing Choice Voucher Program. This finding has been cleared.
- Finding 06-5: The Housing Commission hired a consultant to prepare an up-to-date utility allowance schedule, the utility allowances have not been implemented for the Housing Choice Voucher Program. This finding has been cleared.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Greenville Housing Commission.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Greenville Housing Commission were disclosed during the audit.
4. Seven reportable conditions in internal control over major federal award programs disclosed during the audit are reported in Section III - Federal Award Findings as findings 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, and 07-7. All of these findings were reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Greenville Housing Commission expresses a qualified opinion on the Housing Choice Voucher and Low Rent Public Housing programs and an unqualified opinion on the Capital Fund program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

| | |
|---------------------------------|------------------|
| Low Rent Public Housing program | CFDA No. 14.850a |
| Housing Choice Voucher program | CFDA No. 14.871 |
| Capital Fund program | CFDA No. 14.872 |
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Greenville Housing Commission was not determined to be a low-risk auditee.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the 14th tenant file and every 15th one after that until 6 tenant files were selected to test from an ad-hoc tenant report provided by the Greenville Housing Commission. We selected 6 tenant files to test from a population of 90 tenant files.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended June 30, 2007

Population and Items Tested (continued):

We found the following exceptions in the documentation in the tenant files:

| | <u># of Exceptions</u> |
|--|------------------------|
| 1. Form HUD-50058 not in the tenant file | 0 |
| 2. Privacy Act Notice for fiscal year not in tenant file or incorrect | 0 |
| 3. Incorrect Verification of Income | 3 |
| 4. Incorrect Verification of Expenses | 4 |
| 5. Incorrect Verification of Assets | 3 |
| 6. Inspection Report missing for fiscal year or was incorrect | 0 |
| 7. Lease missing or incorrect | 3 |
| 8. Application missing or incorrect | 0 |
| 9. Copy of Photo I.D. missing | 0 |
| 10. Copy of Proof of Social Security Number Verification missing | 0 |
| 11. Copy of birth certificate missing | 0 |
| 12. Annual Review not done for fiscal year or not documented | 0 |
| 13. Worksheet for HUD-50058 missing or incorrect | 0 |
| 14. Notice of Rent Adjustment missing or incorrect | 0 |
| 15. Criminal Background Check not done, not documented, or it was in the file | 1 |
| 16. Declaration of 214 Status missing or incorrect | 0 |
| 17. Lead Based Paint disclosure missing or incorrect | 2 |
| 18. Check for Previous Eviction from Public Housing not done or incorrect | 0 |
| 19. Request for Tenancy Approval not done or incorrect | 4 |
| 20. Voucher not in file or its was incorrect | 1 |
| 21. HAP Contract missing or incorrect | 0 |
| 22. HAP Tenancy Addendum missing | 3 |
| 23. Rent Reasonableness Test missing or incorrect | 5 |
| 24. Inspection-Life Threatening Corrections made >24 hours | 0 |
| 25. Inspection-Nonlife Threatening Corrections made >30 days or past extension | 0 |
| 26. Proper action not taken if (24) or (25) was violated | 0 |
| 27. Annual Family Composition Review missing or incorrect | <u>0</u> |
| Total | <u>29</u> |

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended June 30, 2007

Out of a possible 162, there were 29 exceptions from this test. This represents an exception rate of 17.9%.

The following is a short summary of exceptions:

| <u>File</u> | <u>Client Number</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | <u>7</u> | <u>8</u> | <u>9</u> |
|--------------------|----------------------|------------|-----------|------------|-----------|-----------|-----------|-----------|-------------|-----------|
| 1 | 000017 | x | | | | | | | x | |
| 2 | 000091 | | | x | | | | | x | |
| 3 | 000039 | | | x | | | | | x | |
| 4 | 000025 | | | x | | | | | x | |
| 5 | 000058 | | | x | | | | | x | |
| 6 | 000068 | | | | | | | | x | |
| Number of Hits | | <u>1</u> | <u>0</u> | <u>4</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>6</u> | <u>0</u> |
| Percentage of Hits | | <u>17%</u> | <u>0%</u> | <u>67%</u> | <u>0%</u> | <u>0%</u> | <u>0%</u> | <u>0%</u> | <u>100%</u> | <u>0%</u> |

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-2: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files and through an interview, it was discovered that the rent reasonableness database is not being maintained properly, which is in opposition to the Administrative Plan. In addition, a rent reasonableness test was not done for rent increases. Finally, the rent reasonableness test for the initial leases is not adequate. In some cases an informal one was done, but it was not comprehensive enough. In addition, they are not being done according to the Administrative Plan.

Effect: Tenants may have been charged rents that were too high.

Cause: The staff member in charge of this program did not maintain the rent reasonableness database or perform proper rent reasonableness tests where required and in accordance to the policy of the Housing Commission.

Auditor's Recommendation: It is recommended that the staff maintain a rent reasonableness database and perform a proper rent reasonableness test where required in the future and in compliance with their administrative plan.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3: Year Ended June 30, 2007

Condition and Criteria: There was no evidence to show that proper Quality Control Inspections were done. There were some inspections done in addition to the annual inspections, but they were not done on a proper inspection form and then compared to the original. In addition, the additional inspections were not selected randomly.

Effect: Tenants may be in substandard units.

Cause: The Greenville Housing Commission did not perform proper Quality Control Inspections and did not have proper documentation showing that they were done.

Population and Items Tested: During the interview process, it was discovered that Quality Control Inspections are not being done properly.

Auditor's Recommendation: Quality Control Inspections should be performed on the units and the results documented on a proper inspection form. Any deficiencies should be noted and those deficiencies corrected within the specified time frames, which are 24 hours for emergency items and 30 days or by granted extension for deficiencies that are not emergencies. These Quality Control Inspections should be done in sufficient numbers to meet the requirements of 24 CFR 985.2. It is recommended that these Quality Control Inspections be done as soon as possible after the original annual inspections, but in any case within the required three months.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-4: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files and through interviews, it was discovered that there was not proper attempts to obtain information on tenant income, expenses and assets, and then obtain proper verification of those assets, expenses and income.

Effect: Tenants may have been charged rents that were incorrect.

Cause: The staff member in charge of this program did not obtain information on tenant assets, expenses and income in all cases and then obtain the proper verifications of those assets, expenses and income.

Population and Items Tested: Out of the six files tested out of a population of 90, four of the six did not have proper tenant asset, expense or income verifications. This represents an exception rate of 66.67%.

Auditor's Recommendation: It is recommended that the staff obtain information on tenant assets, expenses and income and document the process in the tenant file. The staff should then obtain proper verifications of those assets, expenses and income. Whenever possible, these should be independent third party written verifications.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-5: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected six public housing files to test from a Tenant Rent Roll Report supplied by the Housing Commission. We started with the 13th tenant on the list and selected every 14th tenant after that until a total of six were selected from a population of 83 tenant files.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-5 (Continued): Year Ended June 30, 2007

Population and Items Tested (Continued):

We found the following exceptions in the documentation in the tenant files:

| | <u># of Exceptions</u> |
|---|------------------------|
| 1. Form HUD-50058 not in the tenant file | 0 |
| 2. Privacy Act Notice for fiscal year not in tenant file or incorrect | 0 |
| 3. Incorrect Verification of Income | 1 |
| 4. Incorrect Verification of Expenses | 2 |
| 5. Incorrect Verification of Assets | 2 |
| 6. Inspection Report for fiscal year is missing or incorrect | 6 |
| 7. Lease missing or incorrect | 1 |
| 8. Application missing or incorrect | 1 |
| 9. Copy of Photo I.D. missing | 1 |
| 10. Copy of Proof of Social Security Number Verification missing | 0 |
| 11. Copy of Birth Certificate missing | 1 |
| 12. Worksheet for HUD-50058 missing or incorrect | 0 |
| 13. Flat Rent/Income Based Rent Choice missing or incorrect | 5 |
| 14. Notice of Rent Adjustment missing or incorrect | 0 |
| 15. Criminal Background Check not done, not documented, or it was in the file | 0 |
| 16. Declaration of 214 Status missing or incorrect | 1 |
| 17. Check for Previous Eviction from Public Housing not done or incorrect | 0 |
| 18. Annual Family Composition Review missing or incorrect | 0 |
| 19. Annual Review missing or incorrect | 0 |
| 20. Lead based paint disclosure missing or incorrect | 0 |
| | <u>0</u> |
| Total | <u>21</u> |

Out of a possible 120, there were 21 exceptions from this test. This represents an exception rate of 17.5%.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-5 (Continued): Year Ended June 30, 2007

Population and Items Tested (Continued):

The summary is a short summary of exceptions:

| <u>File</u> | <u>Client Number</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | <u>7</u> | <u>8</u> | <u>9</u> |
|--------------------|----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1 | 0013-15 | | | x | | | | | x | |
| 2 | 0305-11 | | | x | | | | | x | |
| 3 | 0105-11 | | | x | | | | | x | |
| 4 | 0216-05 | | | | | | | | x | |
| 5 | 0115-06 | | | | | | | | x | |
| 6 | 0307-07 | | | | | | | | x | |
| Number of Hits | | | | 3 | | | | | 6 | |
| Percentage of Hits | | 0% | 0% | 50% | 0% | 0% | 0% | 0% | 100% | 0% |

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-6: Year Ended June 30, 2007

Condition and Criteria: There was no evidence in the tenant files, or available outside of the tenant files to show that the tenant units were inspected for the fiscal year audited.

Effect: Tenants may be in substandard units.

Cause: The Greenville Housing Commission staff did not perform annual inspections within the required time frame.

Population and Items Tested: Out of 83 tenants, six were tested and of these, six did not have inspection records. This represents an exception rate of 100%.

Auditor's Recommendation: Annual inspections should be performed on the units and the results documented on a proper inspection form. Work orders should be generated for any deficiencies and those deficiencies corrected.

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-7: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent was missing in the tenant files.

Effect: Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a chance to select income based or flat rent.

Cause: The staff member in charge of this program did not obtain documentation from the tenants documenting their choice as required annually in all cases.

Population and Items Tested: Out of the six files tested, one of the six had the documentation. This represents an exception rate of 83.34%.

Auditor's Recommendation: It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

New Construction Section 8 Program - CFDA No. 14.182

Finding Item 07-8: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected six new construction files to test from an Ad-hoc Tenant Report supplied by the Housing Commission. We started with the 5th tenant on the list and selected every 8th tenant after that until a total of six were selected from a population of 52 tenant files.

We found the following exceptions in the documentation in the tenant files:

| | <u># of Exceptions</u> |
|---|------------------------|
| 1. Form HUD-50058 not in the tenant file | 0 |
| 2. Privacy Act Notice for fiscal year not in tenant file or incorrect | 3 |
| 3. Incorrect Verification of Income | 0 |
| 4. Incorrect Verification of Expenses | 1 |
| 5. Incorrect Verification of Assets | 2 |
| 6. Inspection Report for fiscal year is missing or incorrect | 6 |
| 7. Lease missing or incorrect | 3 |
| 8. Application missing or incorrect | 0 |
| 9. Copy of Photo I.D. missing | 0 |
| 10. Copy of Proof of Social Security Number Verification missing | 1 |
| 11. Copy of Birth Certificate missing | 1 |
| 12. Worksheet for HUD-50058 missing or incorrect | 0 |
| 13. Notice of Rent Adjustment missing or incorrect | 3 |
| 14. Criminal Background Check not done, not documented, or it was in the file | 1 |
| 15. Declaration of 214 Status missing or incorrect | 0 |
| 16. Check for Previous Eviction from Public Housing not done or incorrect | 0 |
| 17. Annual Family Composition Review missing or incorrect | 1 |
| 18. Annual Review missing or incorrect | 0 |
| Total | <u>22</u> |

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 June 30, 2007

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

New Construction Section 8 Program - CFDA No. 14.182

Finding Item 07-8 (Continued): Year Ended June 30, 2007

Population and Items Tested (Continued):

Out of a possible 108, there were 22 exceptions from this test. This represents an exception rate of 20.37%.

The following is a short summary of exceptions:

| <u>File</u> | <u>Client Number</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | <u>7</u> | <u>8</u> | <u>9</u> |
|--------------------|----------------------|------------|-----------|------------|-----------|------------|------------|-----------|-------------|-----------|
| 1 | 206 | | | | | | | | x | |
| 2 | 305 | | | | | x | | | x | |
| 3 | 005 | | | | | | | | x | |
| 4 | 209 | x | | x | | | | | x | |
| 5 | 207 | | | x | | x | | | x | |
| 6 | 113 | | | | | x | x | | x | |
| Number of Hits | | <u>1</u> | <u>0</u> | <u>2</u> | <u>0</u> | <u>3</u> | <u>1</u> | <u>0</u> | <u>6</u> | <u>0</u> |
| Percentage of Hits | | <u>17%</u> | <u>0%</u> | <u>33%</u> | <u>0%</u> | <u>50%</u> | <u>17%</u> | <u>0%</u> | <u>100%</u> | <u>0%</u> |

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Out of a possible 108, there were 22 exceptions from this test. This represents an exception rate of 20.37%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

GREENVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

New Construction Section 8 Program - CFDA No. 14.182

Finding Item 07-9: Year Ended June 30, 2007

Condition and Criteria: There is no evidence in the tenant files, or available outside of the tenant files to show that the tenant units were inspected for the fiscal year audited.

Effect: Tenants may be in substandard units.

Cause: The Greenville Housing Commission staff did not perform annual inspections within the required time frame.

Population and Items Tested: Out of 52 tenants, six were tested and of these, six did not have inspection records. This represents an exception rate of 100%.

Auditor's Recommendation: Annual inspections should be performed on the units and the results documented on a proper inspection form.

GREENVILLE HOUSING COMMISSION

ACTION PLAN

June 30, 2007

=====

Finding 07-1 - Missing Documentation - Voucher Program

All tenant files have been reviewed and missing, incorrect, or incomplete items have been documented and the information, documentation and signatures have been requested from tenants and landlords where possible. Four of the tenant files that were reviewed were tenants that were housed under the previous program manager, and we cannot recreate original documents. Therefore, these files will continue to have findings if chosen again in a future audit. Wherever possible all other documentation has been requested or has been received. Extra effort is now being taken to ensure that all required documents, signatures, and verifications are included in all files.

Finding 07-2 - Rent Reasonableness

The rent reasonableness database that is on our computer system is not being utilized as we have not requested specific training from the software provider to date. Attempts have been made to comply with this requirement; however, we are working on forming a system that will meet the requirements. Investigation of training sources and documentation sources are currently underway, and we expect to continue to improve in this area over the next year.

Finding 07-3 - Quality Control Inspections

The Greenville Housing Commission has the annual inspections performed by an outside contractor. This contractor is scheduled during the same time every year and inevitably they will perform an inspection on a unit that has been newly leased. Management assumed that as these inspections were being done within a short period of time of the original inspection that they would qualify as the quality control inspections. It was pointed out during the audit that this will not qualify; therefore, we will be setting up special quality control inspections and have documentation available for the next audit showing the inspections.

Finding 07-4 - Improper Income, Expense, and Asset Verifications

The audit indicated that this was a weak area during initial lease up of tenants, and weaknesses were found in our briefing procedures. Our briefing procedure will be revised to ensure that as much as possible, proper documentation of income, assets, and expenses are documented and rents calculated correctly.

Finding 07-5 - Missing Documentation - Low Rent Public Housing Program

Please see item 07-1 above.

GREENVILLE HOUSING COMMISSION
ACTION PLAN (CONTINUED)

June 30, 2007

=====

Finding 07-6 - UPCS Inspections - Low Rent Public Housing Program

Inspections were not performed during the fiscal year, and were an oversight by management. The UPCS inspections were performed in June of the previous year and then again in September of the following year. As our year end is June 30th, the whole fiscal year was skipped. Management will ensure that inspections are performed according to the fiscal year.

Finding 07-7 - Improper documentation of Tenant Choice of Rents

Management will ensure that the staff person responsible revises the recertification procedure to ensure that this choice is documented in tenant files.

Finding 07-8 - Missing Documentation - New Construction Program

Please see item 07-1 above.

Finding 07-9 - UPCS Inspections - New Construction Program

Please see item 07-6 above.

GREENVILLE HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
June 30, 2007
=====

Financial
Assessment
Electronic
Submission

| <u>Line #</u> | <u>Account Name</u> | <u>Debit</u> | <u>Credit</u> |
|---|-------------------------------|--------------|---------------|
| <u>Low Rent Public Housing Program</u> | | | |
| | (1) | | |
| 114 | Cash-tenant security deposits | \$ 22,354.00 | |
| 132 | Investments restricted | | \$ 22,354.00 |
| | (2) | | |
| | A/R-Section 8 Wages | 11,571.35 | 11,571.35 |
| <u>Housing Choice Voucher Program</u> | | | |
| | (1) | | |
| 1211 | Prepaid insurance | 2,574.67 | |
| 2111 | Accounts payable | | 2,574.67 |
| | (2) | | |
| 4715 | HAP payments | 19,914.00 | |
| 4110 | Adm. salaries | | 19,090.00 |
| 4170 | Accounting and auditing | | 100.00 |
| 4195 | Preliminary-sundry | | 724.00 |
| | (3) | | |
| | Wages A/R | 11,571.35 | 11,571.35 |
| <u>New Construction Section 8 Program</u> | | | |
| | (1) | | |
| 114 | Cash-tenant security deposits | 15,412.00 | |
| 111 | Cash-unrestricted | | 15,412.00 |